

**MINUTES OF THE
EXECUTIVE APPROPRIATIONS COMMITTEE**

Tuesday, July 17, 2018 • 1:30 p.m. • 445 State Capitol

Members Present:

Sen. Jerry W. Stevenson, Senate Chair
Rep. Bradley G. Last, House Chair
Rep. Mike Schultz, House Vice Chair
Sen. J. Stuart Adams
Sen. Gene Davis
Sen. Luz Escamilla
Sen. Jani Iwamoto
Sen. Peter C. Knudson
Sen. Kevin T. Van Tassell
Rep. Joel K. Briscoe
Rep. Francis D. Gibson
Speaker Gregory H. Hughes
Rep. Brian S. King

Rep. John Knotwell
Rep. Angela Romero
Rep. Brad R. Wilson

Members Absent:

Sen. Evan J. Vickers, Senate Vice Chair
Sen. Karen Mayne
President Wayne L. Niederhauser
Rep. Sandra Hollins

Staff Present:

Mr. Jonathan Ball, Director
Mr. Steven M. Allred, Deputy Director
Ms. Greta G. Rodebush, Administrative Assistant

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

1 . Call to Order/Approval of Minutes

Chair Bradley G. Last called the meeting to order at 1:49 p.m.

MOTION: Sen. Jerry W. Stevenson moved to adopt the minutes of May 15, 2018. The motion passed with a vote of 14 - 0 - 6 .

Yeas-14

Sen. J. Adams
Rep. J. Briscoe
Sen. G. Davis
Sen. L. Escamilla
Rep. G. Hughes
Sen. J. Iwamoto
Rep. B. King
Sen. P. Knudson
Rep. B. Last
Rep. A. Romero
Rep. M. Schultz
Sen. J. Stevenson
Sen. K. Van Tassell
Rep. B. Wilson

Nays-0

Absent-6

Rep. F. Gibson
Rep. S. Hollins
Rep. J. Knotwell
Sen. K. Mayne
Sen. W. Niederhauser
Sen. E. Vickers

2 . Federal/Non-federal Grants

Mr. Ken Matthews, Federal Assistance Management Officer, Governor's Office of Management and Budget, presented the report for July 2018. Mr. Gary Syphus, Fiscal Analyst, Office of the Legislative Fiscal Analyst (LFA), provided assistance.

[2-Federal/Non-federal Grants Packet, July 2018](#)

MOTION: Sen. Stevenson moved to recommend acceptance of the federal and non-federal grants as outlined on page 1 of the handout entitled, "Federal/Non-Federal Grants Review and Approval" under the heading, "Grants Requiring EAC Review and Recommendation" and dated today, July 17, 2018. The motion passed with a vote of 15 - 0 - 5 .

Yeas-15

Sen. J. Adams
Rep. J. Briscoe
Sen. G. Davis
Sen. L. Escamilla
Rep. F. Gibson
Rep. G. Hughes
Sen. J. Iwamoto
Rep. B. King
Sen. P. Knudson
Rep. B. Last
Rep. A. Romero
Rep. M. Schultz
Sen. J. Stevenson
Sen. K. Van Tassell
Rep. B. Wilson

Nays-0

Absent-5

Rep. S. Hollins
Rep. J. Knotwell
Sen. K. Mayne
Sen. W. Niederhauser
Sen. E. Vickers

3 . Fiscal Health Check-up: Debt Update

Mr. Brian Wikle, Fiscal Analyst, LFA, discussed the State's general obligation bond debt and revenue bond debt using the Fiscal Health Dashboard. He introduced the Issue Brief, "Debt Service Overview."

[3-Issue Brief - 2018 Interim - Debt Service Overview](#)

Rep. Francis D. Gibson inquired about the value of state employees' unpaid vacation leave.

Sen. J. Stuart Adams asked about the change in debt.

Rep. Mike Schultz inquired about the impact of property values and the Constitutional Debt Limit.

Chair Last noted that Agenda Items - 6f) Class B and C Roads, 6g) Utah Communications Authority Procurement, and 6h) Off Premise Beer Retailer Licenses, would not be heard in today's Executive Appropriations Committee (EAC) meeting. He further noted that Agenda Items - 6f and 6h would be heard in tomorrow's interim committee meetings.

4 . Five-year Budget Requirement from H.B. 452, "Legislative Fiscal Analyst Amendments"

Mr. Ryan Mortenson, Staff Economist, LFA, introduced LFA's plan for a long-term budget forecast for FY 2019 - FY 2023. He discussed cost inflow and cost outflow and variables used in an autogression time series model.

[4-Presentation: Long-Term Budget Forecast](#)

Mr. Jonathan Ball, Director, LFA, added further clarification to LFA's long-term budget analysis, inviting committee members to identify funding sources and programs they would like included in the analysis.

Rep. Brad R. Wilson asked about including inflation and interest rates. Mr. Ball responded.

Rep. Francis D. Gibson requested that the five-year budget analysis include debt level, funding for big projects, rainy day deposits, and emergency reserves.

Rep. Joel K. Briscoe expressed an interest in looking at a previous five-year budget analysis for comparison purposes.

Sen. J. Stuart Adams suggested that the analysis include the affordability index, in addition to housing starts.

5 . Fiscal Note and Budget Item Follow-up Report

Ms. Clare Tobin Lence, Fiscal Analyst, LFA, presented the 2018 Fiscal Note and Budget Item Follow-up Report, highlighting a few changes in the report from previous years. For this year's report, the LFA only included fiscal note and budget items for which the LFA identified a recommended action.

[5-Fiscal Note and Budget Item Follow-up Report, July 2018](#)

Ms. Lence invited LFA fiscal analysts to present findings and recommendations for nine fiscal note and budget items.

Mr. Syphus presented H.B. 14 - Emergency Services Account Loan Amendments (page 6).

Mr. Wikle presented Debt Service Costs (page 13).

Ms. Lence presented Aging Waiver (page 27) and responded to questions from Chair Last and Sen. Iwamoto.

Ms. Lence presented Nurse Family Partnership (page 29).

Ms. Lence introduced Ms. Maddy Oritt, LFA's newest fiscal analyst, who will be staffing the Social Services Appropriations Subcommittee and covering the Department of Workforce Services.

Ms. Oritt presented S.B. 194 - Utah Data Research Center Act (page 34) and responded to questions from Rep. Briscoe and Chair Last.

Mr. Ivan Djambov, Fiscal Analyst, LFA, presented Catastrophic Wildfire Reduction Strategy Implementation (page 68) and responded to questions from Chair Last.

Sen. Kevin T. Van Tassell gave an update on the Dollar Ridge Fire in Duchesne County, Utah.

Mr. Ball mentioned that one of the properties lost in the Dollar Ridge Fire belonged to LFA Administrative Assistant, Debbie Benson. He thanked Sen. Van Tassell for keeping Ms. Benson informed.

Mr. Sean Faherty, Fiscal Analyst, LFA, presented Autism Instructional Technology (page 73) and responded to questions from Chair Last.

Mr. Mortenson presented Federal Fund Accountability (page 86) and H.B. 194 - Federal Grants Management Amendments (page 88) and responded to a question from Chair Last.

Mr. John Reidhead, Director, Division of Finance, responded to the Analyst's recommendations regarding the statewide grants management system. He felt that the report did not entirely reflect the collaborative efforts of the stakeholders. He requested further discussion with the Governor's Office, the LFA, and legislators. Chair Last responded.

Mr. Scott Jones, Deputy Superintendent of Operations, Utah State Board of Education (USBE), responded to the Analyst's recommendations with comments regarding USBE's fiduciary responsibilities and the need for a grants management system.

Mr. Gary Scheller, Director, Utah Office for Victims of Crime (UOVC), provided some background information on UOVC's involvement with the statewide grant management system.

Mr. Steven Allred, Deputy Director, LFA, presented House Chamber Video Upgrade (page 93).

Chair Last expressed his appreciation for LFA's work on this project.

MOTION: Sen. Stevenson moved to request that appropriations subcommittees review each item under their purview in the 2018 Fiscal Note and Budget Item Follow-Up Report and consider adjusting

appropriations. The Executive Appropriations will also review items under its purview at a later date. The motion passed with a vote of 11 - 0 - 9 .

Yeas-11

Sen. G. Davis
Sen. L. Escamilla
Rep. G. Hughes
Sen. J. Iwamoto
Rep. B. King
Sen. P. Knudson
Rep. B. Last
Rep. A. Romero
Rep. M. Schultz
Sen. J. Stevenson
Sen. K. Van Tassell

Nays-0

Absent-9

Sen. J. Adams
Rep. J. Briscoe
Rep. F. Gibson
Rep. S. Hollins
Rep. J. Knotwell
Sen. K. Mayne
Sen. W. Niederhauser
Sen. E. Vickers
Rep. B. Wilson

6 . Special Session Legislation

Mr. Wikle discussed Agenda Item 6a) Risk Damages Caps.

[6a-Memorandum Re: Risk Liability Caps](#)

Dr. Wilko introduced Agenda Item 6b) South Dakota v Wayfair Online Sales Tax Provisions.

[6b-Online Sales Tax Information](#)

Ms. Andrea Valenti Arthur, Tax Attorney, LRGC, gave a brief summary of the South Dakota v Wayfair decision that the US Supreme Court issued on June 21, 2018 and an overview of how the decision effects Utah law.

Rep. Brian S. King inquired about online sales tax collections. Dr. Wilko responded.

Dr. Wilko commented on the South Dakota v Wayfair decision and how potential legislation might impact state revenues addressing Agenda Item 6c) Manufacturing Sales Tax Exemption Commencement Provisions.

Chair Last noted that Sen. Curt Bramble would be introducing legislation that addresses online sales tax collection issues.

Mr. Ball commented on the impacts of federal tax reform on State Corporate Tax collections.

[6d-Federal Tax Reform Corporate Tax Changes](#)

MOTION: Sen. Stevenson moved to adopt the revenue impacts on corporate tax from federal tax reform as follows: Net Operating Losses: \$6 million, Interest Deduction: \$15 million, and FIDC Fees: \$1 million for a total of \$22 million. The motion passed with a vote of 11 - 0 - 9 .

Yeas-11

Rep. J. Briscoe
Sen. G. Davis
Rep. G. Hughes
Sen. J. Iwamoto
Rep. B. King
Sen. P. Knudson
Rep. B. Last
Rep. A. Romero
Rep. M. Schultz
Sen. J. Stevenson
Sen. K. Van Tassell

Nays-0

Absent-9

Sen. J. Adams
Sen. L. Escamilla
Rep. F. Gibson
Rep. S. Hollins
Rep. J. Knotwell
Sen. K. Mayne
Sen. W. Niederhauser
Sen. E. Vickers
Rep. B. Wilson

Dr. Young discussed Agenda Item 6d) Net Loss Carry Backs and Carry Forwards Corporate Tax Provisions.

Mr. Ball pointed out that if Utah adopts the federal tax changes, certain corporate tax components would require legislative action.

Rep. Briscoe asked for a clarification on the revenue stream generated by repatriation. Dr. Young and Mr. Ball responded.

Rep. King asked questions about repatriation and net operating losses, which were on the call for tomorrow's Special Session. Ms. Valenti Arthur responded.

MOTION: Sen. Stevenson moved to adjourn.

Chair Last adjourned the meeting at 3:22 p.m.